

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6565

BILL NUMBER: HB 1698

DATE PREPARED: Apr 20, 1999

BILL AMENDED: Apr 5, 1999

SUBJECT: Postsecondary Proprietary Education Grants.

FISCAL ANALYST: Mark Goodpaster

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill has the following provisions:

(A) It combines the Higher Education Award Program for students at postsecondary proprietary educational institutions with the award program for students at other institutions of higher learning. It provides that a student at a postsecondary proprietary educational institution may receive a maximum grant that is equal to the amount the student would receive if the student were enrolled at Ivy Tech State College, and provides that the student is not eligible for a Freedom of Choice Award.

(B) It establishes a National Guard Tuition Supplement Program to provide tuition scholarships to state higher education institutions for qualified members of the Indiana National Guard. The bill repeals the Postsecondary Proprietary Grant Program and Fund.

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) *Provision A - Proprietary Education:* This provision would allow students who attend post secondary proprietary schools to be eligible for financial assistance from SSACI programs. Under current law, only 21st Century Scholarship awards are eligible for use in proprietary schools. The added pool of students who would be eligible for these grants will depend on the number of accredited institutions which offer associate or baccalaureate degrees recognized by the Commission on Proprietary Education. This analysis assumes that between 2,400 and 3,500 additional students may make requests of \$3.8 million to \$5.5 million for the Higher Education Award Fund, and the Part Time Student Grant Fund. No appropriation is attached to this bill, consequently, any additional requests that would be generated based on this bill could reduce the awards to students who attend state universities and private not for profit colleges and universities.

This analysis addresses the following issues: the amount of funding available, the potential increase in the number of students and the estimated increase in requests that might be made by students in proprietary

schools.

Amount of Funding Available: Since the Postsecondary Proprietary Grant Program and Fund were created by statute in 1989, no appropriations have been made for the fund. For the Higher Education Awards Program and the Part Time Program, the following shows the past expenditures for FY 1997 through 1999 and the recommended appropriations for the 1999 - 2001 biennium.

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
	Expenditures		Appropriations		
Program Name	<u>actual</u>	<u>actual</u>	<u>estimated</u>	<u>recommended</u>	<u>recommended</u>
Higher Education Awards	\$53,583,352	\$57,569,766	\$61,083,030	\$65,270,689	\$69,849,730
Part Time Grant Program	\$1,127,923	\$2,243,859	\$4,162,372	\$5,000,000	\$5,250,000

Potential Added Pool of Students: The number of students which could be added will depend on the number of students who are enrolled in the certified proprietary schools which offer associate and baccalaureate degrees. The US Department of Education's IPDES (Integrated Postsecondary Education Data System) reports that the number of full and part time students who are enrolled in 23 proprietary institutions that in Indiana that are eligible for federal student loans. These institutions reported 5,530 students enrolled full time and 1,349 students enrolled part time.

SSACI also reports that roughly half of students who apply for financial assistance will have need and will be offered an award from SSACI and that about 35% of the monies will actually be awarded. Less money is actually used because students often decide to either attend a public school instead of a private school and so receive less financial aid or they decide not to enroll in college at all. In order to demonstrate a range in the potential cost, it is assumed that between 35% and 50% of the total students will be offered and use the financial aid.

Range in Tuition Charged by Proprietary Schools: As amended, the maximum amount of a grant that may be offered to an eligible student could not exceed the maximum amount that the student would receive if the student were enrolled at Ivy Tech State College. For FY 2000 and 2001, the maximum amount that students would receive in Higher Education Awards would be \$1,995.

Estimated Increase of Requests for Assistance: The additional requests that would be associated with passage of this bill will depend on the number of students who are enrolled, the number of students who qualify for financial assistance and the amount of financial assistance that is offered.

To estimate these additional requests, it is assumed that between 35% and 50% of all of these students will qualify for student assistance. Full time students will receive awards from the Higher Education Awards Program. Part time students will be offered monies from the Part time Award Program.

Based on these estimates, the increase in total requests will range between \$3.8 and \$5.5 million.

Administrative Costs: Three areas of administrative costs could potentially be incurred by passage of this bill: added staff, computer programming costs and mailing expenses.

Added staff would likely be needed if new students use SSACI administered monies and enroll in an extended number of proprietary institutions. SSACI would likely need to add an auditor to audit the accounts of the institutions and a clerical person to administer the electronic funds transfers. The funds and resources

required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions (11 vacant positions as of December 31, 1998), including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Additional computer programming if proprietary students cannot be administered to in the same manner that SSACI handles the applications of public and not for profit institution students.

SSACI would likely incur additional expenses of \$4 for each student who is added to the system for mailing costs. Depending on the number of students, these additional costs could range between \$8,000 and \$11,000.

Provision B - National Guard Supplement: This provision could result in new expenditures through the National Guard Supplement and additional requests for funding under the Higher Education Award Program and Part Time Grant Program. Since students will first apply for assistance from the Higher Education Awards and the Part Time Program Awards before applying for the National Guard Supplement, this proposal could increase the number of requests for funding from the Higher Education Awards and the Part Time Program if this bill would induce more members of the National Guard to enroll in college than are currently enrolling.

The specific amount will depend upon the number of persons who would apply for the supplement. No appropriation is included with this bill to fund the provision.

To estimate the costs of this program, the number of students who might apply for this fund are projected, the number of part time versus full time students are then estimated, and finally, the costs of this new program and the additional requests that might be made against the Higher Education Awards and Part Time Fund are then calculated.

Estimating the Number of Students: The current number of members of the National Guard are 14,000. While a specific number of soldiers who fit the profile of persons who do not have a college degree and would likely attend college is not known, the adjutant general anticipates that roughly 1,000 persons would likely apply for the supplement. The estimated costs associated with this program are based on the assumption that the National Guard Supplement will pay for any tuition that would not be paid by the Higher Education Award or the Part Time Grant Program.

To estimate the costs associated with the National Guard Supplement, the following assumptions are made: In any given year, 1,000 students will apply for the supplement as first year students. Forty percent of the students from the first year will not apply in the second year but all of those who are offered an award will accept the award. In the third year, 30% of the second year students will not apply for the supplement. In the final year, 20% of those completing the third year will not apply for the supplement.

Over a four year period, the possible number of students who would be applying for the National Guard supplement would be projected to level out after FY 2002.

**Projecting the Number of Students Who Would Make Claims
to the National Guard Supplement:**

<u>FY</u>	<u>First Year</u>	<u>2nd year</u>	<u>3rd year</u>	<u>4th year</u>	<u>Total Students</u>
2000	1,000				1,000
2001	1,000	600			1,600
2002	1,000	600	420		2,020
2003	1,000	600	420	336	2,356
2004	1,000	600	420	336	2,356

Part Time vs. Full Time: Based on information obtained from the State Student Assistance Commission, it is anticipated that roughly 30% of the students will fit the full time traditional profile which assumes that the student would attend school full time and live in the home of a parent. The balance of these students (70%) are assumed to be independent students who work full time and attend school on a part time basis.

Estimating Financial Aid: The amount of financial assistance that students would have available depends on whether students are traditional or nontraditional students. Traditional students are almost always enrolled in college full time after high school, depend on a parent for financial support and are between 18 and 23 years of age. These students receive less in financial assistance under current practice. Because the National Guard Supplement will pay for any tuition that would not be paid by other sources, the amount that the National Guard Supplement will pay will be more than the Supplement will pay for nontraditional students. Nontraditional students are considered to be persons who are enrolled part time and over the age of 23.

For traditional students, SSACI assumes that with an annual tuition of \$3,233, the average higher education award will be \$1,250. The National Guard Supplement, which is intended to pay for the balance of the tuition, will be \$1,983.

For nontraditional students, SSACI estimates that the average tuition that would be paid by the nontraditional students would be \$1,923, the average tuition assistance award from the Part Time Grant Fund would be \$1,242 and the National Guard Tuition Supplement would be \$681.

Based on these assumptions, the following projections were made for the costs of the National Guard Supplement and the potentially additional requests for the Higher Education Act Awards and include a 5% annual increase in supplements:

Estimating the Costs of the National Guard Supplement

Traditional Students				Nontraditional Students			
<u>Fiscal Year</u>	<u># of Students</u>	<u>Nat'l Guard Supplement</u>	<u>Costs</u>	<u># of Students</u>	<u>Nat'l Guard Supplement</u>	<u>Costs</u>	<u>Total Costs</u>
2000	300	\$1,981	\$594,180	700	\$681	\$476,700	\$1,070,880
2001	480	\$2,080	\$998,222	1,120	\$708	\$793,229	\$1,791,451
2002	606	\$2,184	\$1,323,269	1,414	\$737	\$1,041,509	\$2,364,778
2003	707	\$2,293	\$1,621,004	1,649	\$766	\$1,263,187	\$2,884,191
2004	707	\$2,407	\$1,702,054	1,649	\$797	\$1,313,715	\$3,015,769

assumes an inflation factor of: 5%

It is assumed that 10% of these students will enroll in college even if this bill would not become law.

Consequently, it is assumed that 90% of the students will represent new requests for assistance from the Higher Education Awards and the Part Time Fund.

The added requests for the Higher Education Fund and the Part Time Fund could increase from \$1.3 million per year in FY 2000 to \$3.5 million per year by FY 2004.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Student Assistance, Commission Indiana National Guard.

Local Agencies Affected:

Information Sources: Nick Vesper, State Student Assistance Commission, George Buskirk, Adjutant General, Indiana National Guard, US Department of Education's Integrated Postsecondary Education Data System.